

**The Maine Heritage Policy Center
Testimony Against LD 434
“An Act To Price Carbon Pollution in Maine”**

Senator Lawrence, Representative Berry, and members of the Committee on Energy, Utilities and Technology, my name is Jacob Posik and I serve as Director of Communications at the Maine Heritage Policy Center. Thank you for the opportunity to speak in opposition to LD 434.

The ostensible purpose of this bill is to mitigate the damaging effects of climate change. But the reality is that enacting a carbon tax in Maine would almost certainly have no measurable impact on global climate patterns whatsoever. Maine’s population accounts for about 0.01 percent of the world population and 0.03 percent of total energy production, more than half of which already comes from renewable sources.¹ Maine’s energy sector could eliminate all fossil-fuels tomorrow with virtually no impact on long-term global temperature projections. In essence, this tax would impose real costs on Mainers while delivering no tangible benefits.

In addition, a large body of evidence suggests that climate model predictions have historically been too pessimistic and continue to exaggerate the economic costs of climate change. Droughts and wildfires may grow more common in some regions, but northern states like Maine are likely to benefit from lower heating bills and higher crop yields. The complexities of estimating the aggregate economic impact of climate change are so great that calculating the social cost of carbon (SCC), on which this legislation is based, is highly subjective and prone to error. Economists at the Cato Institute have found that “the estimated SCC can be quite large, small, or even negative...depending on defensible adjustments of the inputs to the analysis.”²

Given such divergent results, adopting a costly carbon tax based on one particular estimate is not good policy, especially since this tax would disproportionately burden Maine’s vulnerable poor and elderly populations. This is partly because these groups spend a larger portion of their incomes on basic necessities, like transportation and utilities, that would grow more expensive under this plan. Low-income and older households also tend to rely more on oil or natural gas-burning home heating systems and less fuel-efficient vehicles. A study from Stanford University

¹ Institute for Energy Research <https://www.instituteforenergyresearch.org/uncategorized/maine-energy-and-economic-analysis/>

² Cato Institute <https://object.cato.org/sites/cato.org/files/pubs/pdf/pa801.pdf>

found that households in the lowest income group pay, as a percent of income, more than twice as much as households in the highest 10 percent of the income distribution pay.³

Also, while the revenues from the carbon tax would be used to reduce rates for utility customers, the bill provides virtually no information about how this process would work, beyond saying that it must be “equitable” and “maximum benefit to the economy of the State.” Would low-income ratepayers enjoy deeper rate reductions? How would rates be adjusted across residential, commercial, and industrial customers? What would be the impact on different parts of the state? The bill’s vague language leaves the door open for broad regulatory interpretation.

Enacting this legislation may also create a slippery slope of gradually increasing tax rates and mounting burdens on Maine’s residents. The tax is supposed to plateau at \$40 per metric ton of carbon, but other jurisdictions are either considering or have already adopted far higher rates. Policymakers in Washington, D.C. have proposed \$100 rates, while environmental groups in Canada want Prime Minister Trudeau to increase his \$50 per ton charge to an astronomical \$300. Once the tax is in place, these sorts of harmful increases are much more likely to occur.

Once again, I urge you to reject this legislation. Thank you.

³ “Stanford research finds carbon regulation burden heaviest on poor”
<https://news.stanford.edu/news/2014/february/kolstad-carbon-tax-022814.html>